



## **TAIWAN SECOCOM COMPANY LTD.**

### **2019 Annual General Meeting of Shareholders Agenda Handbook**

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(Summary Translation)

**This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.**

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**June 14<sup>th</sup>, 2019**

# Table of Contents

<b>1. Procedure of Meeting</b> .....	<b>2</b>
<b>2. Meeting Agenda</b> .....	<b>3</b>
<b>(1) Matters to Report</b> .....	<b>4</b>
<b>(2) Matters for Recognition</b> .....	<b>27</b>
<b>(3) Matters for Discussion</b> .....	<b>29</b>
<b>(4) Extemporary Motions</b> .....	<b>30</b>
<b>(5) Adjournment</b> .....	<b>30</b>
<b>3. Attachments</b> .....	<b>31</b>
<b>(1) Comparison Table of Amendments to the Articles of Incorporation</b> ...	<b>31</b>
<b>(2) Comparison Table of Amendments to the Procedures of Acquisition or Disposal of Assets</b> .....	<b>34</b>
<b>4. Appendices</b> .....	<b>63</b>
<b>(1) Rules of Procedure for Shareholders Meetings</b> .....	<b>63</b>
<b>(2) Articles of Incorporation</b> .....	<b>66</b>
<b>(3) Procedures of Acquisition or Disposal of Assets</b> .....	<b>71</b>
<b>(4) Shareholdings of All Directors.</b> ....	<b>87</b>

**TAIWAN SECOM COMPANY LTD.**  
**(the “Company” or “Taiwan Secom”)**  
**Procedure of 2019 Annual General Meeting of Shareholders**

- 1. Call to Order**
- 2. Chairman to Take Place**
- 3. Address by Chairman**
- 4. Matters to Report**
- 5. Matters for Recognition**
- 6. Matters for Discussion**
- 7. Extemporaneous Motions**
- 8. Adjournment**

**TAIWAN SECOM COMPANY LTD.**  
**(the “Company” or “Taiwan Secom”)**  
**Agenda of 2019 Annual General Shareholders’ Meeting**

**Time :** 9:00 a.m., June 14<sup>th</sup>, 2019

**Place :** No. 66, Pinghe 7th St., Changhua City, Changhua County 500,  
Taiwan (R.O.C.) (Nan Guan and Bei Guan Center)

**Address by Chairman**

**1. Matters to Report**

- (1) Business and financial status of 2018
- (2) Audit Committee’s review report
- (3) Employees’ profit sharing bonus and directors’ compensation of 2018

**2. Matters for Recognition**

- (1) 2018 Business Report and Financial Statements
- (2) The proposal for distribution of 2018 earnings

**3. Matters for Discussion**

- (1) The amendment to the Articles of Incorporation of the Company
- (2) The amendment to the Procedures of Acquisition or Disposal of Assets of the Company

**4. Extemporaneous Motions**

**5. Adjournment**

## **1. Matters to Report**

### **(1) Business and financial status of 2018**

The consolidated net revenue of the company in 2018 was NT\$13,393,619 thousand, an increase of NT\$338,863 thousand (2.60% year-over-year growth), compared with NT\$13,054,756 thousand in 2017. The operating profit in 2018 was NT\$2,560,635 thousand, an increase of NT\$ 338,709 thousand (15.24% year-over-year growth), compared with NT\$2,221,926 thousand in 2017. The Income before income tax in 2018 was NT\$2,544,775 thousand, a decrease of NT\$77,131 thousand (2.94% year-over-year decline), compared with NT\$2,621,906 thousand in 2017. Revenue distribution by core segment is as below:

A. Electronic system segment revenue was NT\$6,508,762 thousand, a 0.40% year-over-year decrease, compared with its revenue of 2017.

B. Static guard service segment revenue was NT\$2,307,056 thousand, a 1.93% year-over-year increase, compared with its revenue of 2017.

C. Cash delivery segment revenue was NT\$893,812 thousand a 1.46% year-over-year increase, compared with its revenue of 2017.

D. Logistics service segment revenue was NT\$952,162 thousand a 3.43% year-over-year decrease, compared with its revenue of 2017.

E. Other operating segments' revenue was NT\$2,731,827 thousand a 14.30% year-over-year increase, compared with its revenue of 2017.

Chairman: LIN Shiao-Hsin

Chief Executive Officer: Hirofumi Onodera

Accounting Supervisor: CHEN Su-Ling

## **Independent Auditors' Report** **(Translated from Chinese)**

To Taiwan Secom Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated balance sheets of Taiwan Secom Co., Ltd. (the “Company”) and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## 1. Impairment on Investments Accounted for Under the Equity Method

As of December 31, 2018, the Company's investments accounted for under the equity method amounted to NT\$3,217,147 thousand, which accounted for 15% of consolidated total assets. Management assesses and implements impairment testing whenever there is any indication that an investment accounted for under the equity method is impaired. Given the fact that the amount of investments accounted for under the equity method is significant to the Company, the impairment assessment process involves significant management judgment of assumptions used and the calculation model is complicated as well. We determined the matter as a key audit matter.

To reduce the uncertainty for significant accounting judgment, estimation, and assumption related to the evaluation of assets impairment and the determination of recoverable amount, our audit procedures included, but not limited to:

- (1) For the investments accounted for under the equity method which has the indication of impairment, we analyze the method and assumption used by management for impairment testing, which include the reasonableness, completeness, and relation of expected future cash flow, and examine the recoverable amount.
- (2) We adopt our internal professional appraiser to evaluate the management's assessment to assist us to assess the evaluation assumption and method, especially for the parameters of weighted average cost of capital, expected revenue growth rate, discount rate on pre-tax income and rate of gross profit.

We also consider the estimation and the uncertainty on impairment loss on investments accounted for under the equity method adopted by the Company, and the appropriateness of the disclosures of accounting assumption. Please refer to Notes 5 and 6.

## 2. Revenue Recognition

Revenue recognized by the Company amounted to NT\$13,393,619 thousand for the year ended December 31, 2018, and the revenue consists of security system revenue which is the Company's main source of revenue. The customer contracts include various performance conditions and terms, due to the practice of the industry. The company need to make the judgment when the performance obligation is completed based on the terms of customer orders or contracts, and recognized revenue when the Company satisfies a performance obligation. Due to the revenue derived from rendering service received in advance, the timing to recognize the revenue is significant judgment for the Company is determined as a key audit matter.

Our audit procedures included, but not limited to:

- (1) Assessing the appropriateness of the accounting policy of revenue recognition and the process of generating and recognizing revenue; evaluating and testing the design and operating effectiveness of internal controls around revenue recognition.
- (2) Selecting samples to perform tests of details, reviewing significant terms and condition of contracts and assessing the performance obligation and the trading price to verify the occurrence of sales transaction.
- (3) Acquiring the detail of the revenue recognition for the contract liabilities for security system revenue by month, and selecting samples to renew the contract period and reassess the accuracy of the amount of revenue recognition to verify the reasonableness of the timing of revenue recognition.
- (4) Executing cut-off testing procedures.

We also consider the appropriateness of the disclosures of operating revenue. Please refer to Note 6.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Emphasis of Matter – Applying for New Accounting Standards**

We draw attention to Note 3 of the consolidated financial statements, which describes the Company and its subsidiaries applied for the International Financial Reporting Standard 9, "Financial Instruments" and 15, "Revenue from Contracts with Customers" starting from January 1, 2018, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

**Others**

We have audited and expressed an unqualified opinion including an Emphasis of Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017.

YU Chien-Ju

HSU Hsin-Min

Ernst & Young, Taiwan  
March 22, 2019

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2018 and December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			
		December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
<b>Current assets</b>					
Cash and cash equivalents	4 and 6	\$5,021,795	24	\$5,290,440	25
Financial assets at fair value through profit or loss, current	4 and 6	6,124	-	266	-
Financial assets at fair value through other comprehensive income, current	4 and 6	165,764	1	-	-
Available-for-sale financial assets, current	4 and 6	-	-	182,900	1
Financial assets measured at amortized cost, current	4 and 6	202,982	1	-	-
Contract assets, current	4 and 6	110,715	-	-	-
Debt instrument investment for which no active market exists, current	4 and 6	-	-	45,373	-
Notes receivable, net	4 and 6	233,423	1	248,506	1
Accounts receivable, net	4 and 6	755,237	4	747,362	4
Lease receivable, net	4 and 6	40,483	-	54,686	-
Accounts receivable from related parties, net	4, 6 and 7	198,158	1	157,557	1
Inventories, net	4 and 6	315,774	2	295,266	1
Prepayments		518,897	2	539,495	3
Other current assets		196,778	1	252,182	1
<b>Total current assets</b>		<b>7,766,130</b>	<b>37</b>	<b>7,814,033</b>	<b>37</b>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income, non-current	4 and 6	475,954	2	-	-
Available-for-sale financial assets, non-current	4 and 6	-	-	227,316	1
Financial assets measured at cost, non-current	4 and 6	-	-	150,866	1
Investments accounted for under the equity method	4 and 6	3,217,147	15	3,264,815	16
Property, plant and equipment	4, 6, 7 and 8	7,016,933	34	7,222,354	34
Investment property, net	4 and 6	63,636	-	56,367	-
Intangible assets	4 and 6	430,940	2	486,496	2
Deferred tax assets	4 and 6	413,705	2	355,619	2
Prepayment for equipment		789,301	4	778,069	4
Refundable deposits	7	350,206	2	258,913	1
Long-term receivable	6	42,359	-	41,834	-
Long-term lease receivable	4 and 6	120,499	1	134,344	1
Prepayment for investments		-	-	20,000	-
Other assets, non-current	6 and 8	201,369	1	112,652	1
<b>Total non-current assets</b>		<b>13,122,049</b>	<b>63</b>	<b>13,109,645</b>	<b>63</b>
<b>Total assets</b>		<b>\$20,888,179</b>	<b>100</b>	<b>\$20,923,678</b>	<b>100</b>

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2018 and December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of			
		December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
<b>Current liabilities</b>					
Short-term loans	4, 6 and 8	\$2,550,000	12	\$2,204,385	11
Short-term bills payable	6	-	-	154,952	1
Contract liabilities, current	4 and 6	1,289,681	6	-	-
Notes payable		300,520	1	369,299	2
Accounts payable		525,246	3	538,719	3
Accounts payable to related parties	7	25,626	-	23,280	-
Other payables	7	1,560,329	7	2,132,136	10
Current tax liabilities	4 and 6	325,047	2	114,453	1
Advanced receipts	6	-	-	1,106,179	5
Current portion of long-term loans	4, 6 and 8	684,000	3	239,000	1
Other current liabilities	4 and 6	220,005	1	233,416	1
<b>Total current liabilities</b>		<b>7,480,454</b>	<b>35</b>	<b>7,115,819</b>	<b>35</b>
<b>Non-current liabilities</b>					
Long-term loans	4, 6 and 8	350,000	2	1,034,000	5
Provisions, non-current	4	7,200	-	7,200	-
Lease payable, non-current	4 and 6	24,947	-	12,529	-
Net defined benefit liabilities, non-current	4 and 6	1,580,568	8	1,564,957	7
Guarantee deposits	6	644,152	3	634,859	3
Other liabilities, non-current		120	-	-	-
<b>Total non-current liabilities</b>		<b>2,606,987</b>	<b>13</b>	<b>3,253,545</b>	<b>15</b>
<b>Total liabilities</b>		<b>10,087,441</b>	<b>48</b>	<b>10,369,364</b>	<b>50</b>
<b>Equity attributable to the parent</b>					
<b>Capital</b>	6				
Common stock		4,511,971	22	4,511,971	22
<b>Additional paid-in capital</b>	6	724,912	3	691,334	3
<b>Retained earnings</b>	6				
Legal reserve		3,322,832	16	3,102,274	15
Special reserve		131,578	1	65,182	-
Unappropriated earnings		2,087,315	10	2,171,354	10
<b>Other components of equity</b>	4 and 6	(170,798)	(1)	(131,578)	(1)
<b>Treasury stock</b>	4, 6 and 8	(288,389)	(1)	(288,389)	(1)
<b>Non-controlling interests</b>	6	481,317	2	432,166	2
<b>Total equity</b>		<b>10,800,738</b>	<b>52</b>	<b>10,554,314</b>	<b>50</b>
<b>Total liabilities and equity</b>		<b>\$20,888,179</b>	<b>100</b>	<b>\$20,923,678</b>	<b>100</b>

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	2018		2017	
		Amount	%	Amount	%
<b>Operating revenue</b>	4, 6 and 7	\$13,433,426	100	\$13,109,897	100
<b>Less : Sales returns and allowances</b>	6	(39,807)	-	(55,141)	-
<b>Net revenue</b>		13,393,619	100	13,054,756	100
<b>Operating costs</b>	6 and 7	8,486,576	63	8,406,505	64
<b>Gross profit</b>		4,907,043	37	4,648,251	36
<b>Operating expenses</b>	6 and 7				
Sales and marketing expenses		793,888	6	834,133	6
General and administrative expenses		1,434,638	11	1,499,247	12
Research and development expenses		105,347	1	92,945	1
Expected credit losses		12,535	-	-	-
Subtotal		2,346,408	18	2,426,325	19
<b>Operating income</b>		2,560,635	19	2,221,926	17
<b>Non-operating income and loss</b>					
Other income	6	48,624	-	53,330	-
Other gains and losses	6	(94,732)	(1)	5,087	-
Finance costs	6	(36,583)	-	(36,888)	-
Share of profit or loss of associates and joint ventures		66,831	1	378,451	3
Subtotal		(15,860)	-	399,980	3
<b>Income before income tax</b>		2,544,775	19	2,621,906	20
<b>Income tax expenses</b>	4 and 6	(445,640)	(3)	(387,366)	(3)
<b>Net income</b>		2,099,135	16	2,234,540	17
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurements of defined benefit plans	6	(86,435)	(1)	(46,884)	-
Unrealized gains on financial assets at fair value through other comprehensive income	6	(40,545)	-	-	-
Share of other comprehensive (loss) income of associates and joint ventures- may not be reclassified subsequently to profit or loss	6	(2,147)	-	2,659	-
Income tax related to items that will not be reclassified	6	16,730	-	4,834	-
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translation of foreign operations	6	50,778	-	(77,307)	(1)
Unrealized loss on available-for-sale financial assets	6	-	-	15,897	-
Share of other comprehensive (loss) income of associates and joint ventures- may be reclassified subsequently to profit or loss	6	(2,525)	-	(10,002)	-
<b>Total other comprehensive (loss) income, net of tax</b>		(64,144)	(1)	(110,803)	(1)
<b>Total comprehensive income</b>		\$2,034,991	15	\$2,123,737	16
<b>Net income attributable to:</b>					
Shareholders of the parent		\$2,046,828		\$2,205,567	
Non-controlling interests	6	52,307		28,973	
<b>Comprehensive income attributable to:</b>					
Shareholders of the parent		\$1,982,060		\$2,101,707	
Non-controlling interests	6	52,931		22,030	
<b>Earnings per share (NT\$)</b>	6				
Basic earnings per share		\$4.64		\$5.00	
Diluted earnings per share		\$4.64		\$5.00	

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

Description	Equity Attributable to the Parent Company										Non-Controlling Interests	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings			Other Components of Equity			Treasury Stock	Total		
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at fair value through other comprehensive income	Unrealized Gain or Loss on Available-for-Sale Financial Assets				
<b>Balance as of January 1, 2017</b>	\$4,511,971	\$853,577	\$3,040,743	\$61,565	\$1,421,990	\$(50,537)		\$(14,645)	\$(288,389)	\$9,536,275	\$397,959	\$9,934,234
Appropriations and distributions of 2016 unappropriated earnings												
Legal reserve	-	-	61,531	-	(61,531)	-	-	-	-	-	-	-
Special reserve	-	-	-	3,617	(3,617)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,353,591)	-	-	-	-	(1,353,591)	-	(1,353,591)
Other changes in capital reserve												
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	29,254	-	-	-	-	-	-	-	29,254	(3,448)	25,806
Lease receivable, net	-	(225,599)	-	-	-	-	-	-	-	(225,599)	-	(225,599)
Net income in 2017	-	-	-	-	2,205,567	-	-	-	-	2,205,567	28,973	2,234,540
Other comprehensive (loss) income, net of tax in 2017	-	-	-	-	(37,464)	(89,913)	-	23,517	-	(103,860)	(6,943)	(110,803)
Total comprehensive income	-	-	-	-	2,168,103	(89,913)	-	23,517	-	2,101,707	22,030	2,123,737
Parent company's cash dividends received by subsidiaries	-	34,102	-	-	-	-	-	-	-	34,102	-	34,102
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	15,625	15,625
<b>Balance as of December 31, 2017</b>	\$4,511,971	\$691,334	\$3,102,274	\$65,182	\$2,171,354	\$(140,450)	\$-	\$8,872	\$(288,389)	\$10,122,148	\$432,166	\$10,554,314
<b>Balance as of January 1, 2018</b>	\$4,511,971	\$691,334	\$3,102,274	\$65,182	\$2,171,354	\$(140,450)	\$-	\$8,872	\$(288,389)	\$10,122,148	\$432,166	\$10,554,314
Impact of retroactive application	-	-	-	-	39,344	-	(44,049)	(8,872)	-	(13,577)	114	(13,463)
<b>Balance as of January 1, 2018 after restatement</b>	\$4,511,971	\$691,334	\$3,102,274	\$65,182	\$2,210,698	\$(140,450)	\$(44,049)	\$-	\$(288,389)	\$10,108,571	\$432,280	\$10,540,851
Appropriations and distributions of 2017 unappropriated earnings												
Legal reserve	-	-	220,558	-	(220,558)	-	-	-	-	-	-	-
Special reserve	-	-	-	66,396	(66,396)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,804,788)	-	-	-	-	(1,804,788)	-	(1,804,788)
Other changes in capital reserve												
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	(8,354)	-	-	-	-	-	-	-	(8,354)	(141)	(8,495)
Donated surplus	-	2,959	-	-	-	-	-	-	-	2,959	-	2,959
Net income in 2018	-	-	-	-	2,046,828	-	-	-	-	2,046,828	52,307	2,099,135
Other comprehensive (loss) income, net of tax in 2018	-	-	-	-	(73,278)	41,597	(33,087)	-	-	(64,768)	624	(64,144)
Total comprehensive income	-	-	-	-	1,973,550	41,597	(33,087)	-	-	1,982,060	52,931	2,034,991
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	(5,191)	-	5,191	-	-	-	-	-
Parent company's cash dividends received by subsidiaries	-	38,973	-	-	-	-	-	-	-	38,973	-	38,973
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,753)	(3,753)
<b>Balance as of December 31, 2018</b>	\$4,511,971	\$724,912	\$3,322,832	\$131,578	\$2,087,315	\$(98,853)	\$(71,945)	\$-	\$(288,389)	\$10,319,421	\$481,317	\$10,800,738

TAIWAN SECOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

Description	2018	2017
<b>Cash flows from operating activities:</b>		
Profit before tax from continuing operations	\$2,544,775	\$2,621,906
Net income before tax	2,544,775	2,621,906
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Bad debt expense	-	81,063
Expected credit losses	12,535	-
Depreciation	1,134,958	1,155,442
Amortization	65,580	75,942
Interest expense	36,583	36,888
Interest revenue	(14,233)	(9,589)
Dividend income	(17,130)	(23,060)
Loss of financial assets at fair value through profit or loss	445	885
Loss (gain) on disposal of investments	32,352	(88,295)
Loss (gain) on disposal of property, plant and equipment	10,335	2,140
Loss on disposal of intangible assets	-	-
Share of loss of associates and joint ventures	(66,831)	(378,451)
Impairment loss	46,978	116,126
Changes in operating assets and liabilities:		
Contract assets	(76,188)	-
Notes receivable, net	15,953	15,352
Accounts receivable, net	(94,668)	75,161
Accounts receivable from related parties, net	(27,601)	11,688
Inventories, net	(62,113)	4,505
Prepayments	76,638	(126,330)
Other current assets	45,878	15,019
Lease receivables	28,548	(77,025)
Long-term receivables	4,025	(41,834)
Contract liabilities	111,910	-
Notes payable	(71,269)	50,617
Accounts payable	(14,378)	77,595
Accounts payable to related parties	3,326	(15,825)
Other payables	(565,939)	358,276
Advanced receipts	-	(4,509)
Other current liabilities	42,262	(17,506)
Provisions	-	(5,352)
Net defined liabilities, non-current	(69,176)	11,915
Cash generated from operations	3,133,555	3,922,744
Interest received	11,233	9,547
Interest paid	(36,535)	(36,873)
Income tax paid	(276,298)	(481,994)
Net cash provided by operating activities	2,831,955	3,413,424
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(200,000)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	30,853	-
Acquisition of financial assets measured at amortized cost	(208,776)	-
Proceeds from disposal of financial assets measured at amortized cost	50,817	-
Proceeds from disposal of financial assets designated at fair value through profit or loss	1,289	-
Acquisition of available-for-sale financial assets	-	(39,793)
Proceeds from disposal of available-for-sale financial assets	-	314
Capital deducted by cash of financial assets at fair value through other comprehensive income	16,394	-
Proceeds from disposal of debt instruments investment for which no active market exists	-	18,832
Acquisition of held-to-maturity financial assets	-	(81,217)
Proceeds from repayments of held-to-maturity financial assets	-	81,259
Acquisition of financial assets measured at cost	-	(4,978)
Proceeds from disposal of financial assets measured at cost	-	280
Capital deducted by cash of financial assets measured at cost	-	21,520
Acquisition of investments accounted for using the equity method	(4,622)	-
Decrease (increase) in prepayment for investments	20,000	(20,000)
Acquisition of a subsidiary (deduct the cash from acquisition)	-	(8,043)
Proceeds from disposal of subsidiaries	-	161,242
Acquisition of property, plant and equipment	(925,012)	(1,295,654)
Proceeds from disposal of property, plant and equipment	41,074	50,044
Acquisition of intangible assets	(54,517)	(67,945)
(Increase) decrease in prepayment for equipment	(11,233)	179,767
Increase in refundable deposits	(91,893)	(3,039)
Increase in other assets	(41,191)	(38,309)
Dividends received	117,949	28,427
Net cash used in investing activities	(1,258,868)	(1,017,293)
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	345,615	(630,615)
Decrease in short-term bills payable	(154,952)	(20,008)
Increase in long-term loans	-	425,000
Decrease in long-term loans	(239,000)	(144,000)
Increase (decrease) in lease payable	14,393	(15,697)
Increase in guarantee deposits	9,282	7,002
Cash dividends paid	(1,801,829)	(1,579,190)
Changes in non-controlling interests	(5,720)	4,827
Net cash used in financing activities	(1,832,211)	(1,952,681)
Effect of exchange rate changes on cash and cash equivalents	(9,521)	5,679
Net (decrease) increase in cash and cash equivalents	(268,645)	449,129
Cash and cash equivalents at beginning of year	5,290,440	4,841,311
Cash and cash equivalents at end of year	\$5,021,795	\$5,290,440

**Independent Auditors' Report**  
**(Translated from Chinese)**

To Taiwan Secom Co., Ltd.

**Opinion**

We have audited the accompanying parent company only balance sheets of Taiwan Secom Co., Ltd. (the “Company”) as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2018 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment on Investments Accounted for Under the Equity Method

As of December 31, 2018, the Company's investments accounted for under the equity method amounted to NT\$8,680,890 thousand, which accounted for 48% of total assets. Management assesses and implements impairment testing whenever there is any indication that an investment accounted for under the equity method is impaired. Given the fact that the amount of investments accounted for under the equity method is significant to the Company, the impairment assessment process involves significant management judgment of assumptions used and the calculation model is complicated as well. We determined the matter as a key audit matter.

To reduce the uncertainty for significant accounting judgment, estimation, and assumption related to the evaluation of assets impairment and the determination of recoverable amount, our audit procedures included, but not limited to:

- (1) For the investments accounted for under the equity method which has the indication of impairment, we analyze the method and assumption used by management for impairment testing, which include the reasonableness, completeness, and relation of expected future cash flow, and examine the recoverable amount.
- (2) We adopt our internal professional appraiser to evaluate the management's assessment to assist us to assess the evaluation assumption and method, especially for the parameters of weighted average cost of capital, expected revenue growth rate, discount rate on pre-tax income and rate of gross profit.

We also consider the estimation and the uncertainty on impairment loss on investments accounted for under the equity method adopted by the Company, and the appropriateness of the disclosures of accounting assumption. Please refer to Notes 5 and 6.

## 2. Revenue Recognition

Revenue recognized by the Company amounted to NT\$6,909,346 thousand for the year ended December 31, 2018, and the revenue consists of security system revenue which is the Company's main source of revenue. The customer contracts include various performance conditions and terms, due to the practice of the industry. The Company need to make the judgment when the performance obligation is completed based on the terms of customer orders or contracts, and recognized revenue when the Company satisfies a performance obligation. Due to the revenue derived from rendering service received in advance, the timing to recognize the revenue is significant judgment for the Company is determined as a key audit matter.

Our audit procedures included, but not limited to:

- (1) Assessing the appropriateness of the accounting policy of revenue recognition and the process of generating and recognizing revenue; evaluating and testing the design and operating effectiveness of internal controls around revenue recognition.

- (2) Selecting samples to perform tests of details, reviewing significant terms and condition of contracts and assessing the performance obligation and the trading price to verify the occurrence of sales transaction.
- (3) Acquiring the detail of the revenue recognition for the contract liabilities for security system revenue by month, and selecting samples to review the contract period and reassess the accuracy of the amount of revenue recognition to verify the reasonableness of the timing of revenue recognition.
- (4) Executing cut-off testing procedures.

We also consider the appropriateness of the disclosures of operating revenue. Please refer to Note 6.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

### **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

7. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
8. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
11. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and

where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Emphasis of Matter** – Applying for New Accounting Standards

We draw attention to Note 3 of the parent company only financial statements, which describes the Company applied for the International Financial Reporting Standard 9, “Financial Instruments” and 15, “Revenue from Contracts with Customers” starting from January 1, 2018, and elected not to restate the parent company only financial statements for prior periods. Our conclusion is not modified in respect of this matter.

YU Chien-Ju

HSU Hsin-Min

Ernst & Young, Taiwan

March 22, 2019

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2018 and December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of			
		December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
<b>Current assets</b>					
Cash and cash equivalents	4 and 6	\$990,335	5	\$724,191	4
Financial assets at fair value through profit or loss, current	4 and 6	4,985	-	-	-
Financial assets at fair value through other comprehensive income, current	4 and 6	117,480	1	-	-
Available-for-sale financial assets, current	4 and 6	-	-	114,487	1
Contract assets, current	4 and 6	30,170	-	-	-
Notes receivable, net	4 and 6	187,992	1	207,802	1
Accounts receivable, net	4 and 6	465,303	3	388,370	2
Lease receivable, net	4 and 6	38,040	-	50,626	-
Accounts receivable from related parties, net	4, 6 and 7	100,705	1	83,474	1
Inventories, net	4 and 6	92,255	-	91,546	1
Prepayments		314,871	2	264,252	2
Other current assets		66,542	-	66,170	-
<b>Total current assets</b>		<b>2,408,678</b>	<b>13</b>	<b>1,990,918</b>	<b>12</b>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income, non-current	4 and 6	201,770	1	-	-
Available-for-sale financial assets, non-current	4 and 6	-	-	162,070	1
Financial assets measured at cost, non-current	4 and 6	-	-	100,000	1
Investments accounted for under the equity method	4 and 6	8,680,890	48	8,476,473	48
Property, plant and equipment	4, 6 and 7	5,023,609	28	5,185,551	29
Investment property, net	4 and 6	282,579	2	282,806	2
Intangible assets	4 and 6	73,197	-	80,967	-
Deferred tax assets	4 and 6	304,814	2	258,930	1
Prepayment for equipment		783,071	4	773,093	4
Refundable deposits	7	227,974	1	225,856	1
Long-term receivable	6	30,633	-	41,834	-
Long-term lease receivable	4 and 6	117,488	1	131,203	1
Other assets, non-current	8	14,504	-	67,019	-
<b>Total non-current assets</b>		<b>15,740,529</b>	<b>87</b>	<b>15,785,802</b>	<b>88</b>
<b>Total assets</b>		<b>\$18,149,207</b>	<b>100</b>	<b>\$17,776,720</b>	<b>100</b>

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2018 and December 31, 2017  
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of			
		December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
<b>Current liabilities</b>					
Short-term loans	4 and 6	\$2,350,000	13	\$2,200,000	12
Contract liabilities, current	4 and 6	1,134,977	6	-	-
Notes payable		222,947	1	262,419	2
Accounts payable		218,226	1	241,292	1
Accounts payable to related parties	7	96,046	1	120,788	1
Other payables	7	532,021	3	515,222	3
Current tax liabilities	4 and 6	211,977	1	54,245	-
Advanced receipts	6	-	-	1,008,857	6
Current portion of long-term loans	4 and 6	684,000	4	184,000	1
Other current liabilities		126,208	1	130,521	1
<b>Total current liabilities</b>		<b>5,576,402</b>	<b>31</b>	<b>4,717,344</b>	<b>27</b>
<b>Non-current liabilities</b>					
Long-term loans	4 and 6	350,000	2	1,034,000	6
Provisions, non-current	4	7,200	-	7,200	-
Net defined benefit liabilities, non-current	4 and 6	1,309,685	7	1,305,026	7
Guarantee deposits	6	585,012	3	576,270	3
Other liabilities, non-current	4 and 6	1,487	-	14,732	-
<b>Total non-current liabilities</b>		<b>2,253,384</b>	<b>12</b>	<b>2,937,228</b>	<b>16</b>
<b>Total liabilities</b>		<b>7,829,786</b>	<b>43</b>	<b>7,654,572</b>	<b>43</b>
<b>Equity attributable to the parent</b>					
<b>Capital</b>					
Common stock	6	4,511,971	26	4,511,971	26
<b>Additional paid-in capital</b>	6	724,912	4	691,334	4
<b>Retained earnings</b>	6				
Legal reserve		3,322,832	18	3,102,274	18
Special reserve		131,578	1	65,182	-
Unappropriated earnings		2,087,315	11	2,171,354	12
<b>Other components of equity</b>	4 and 6	(170,798)	(1)	(131,578)	(1)
<b>Treasury stock</b>	4 and 6	(288,389)	(2)	(288,389)	(2)
<b>Total equity</b>		<b>10,319,421</b>	<b>57</b>	<b>10,122,148</b>	<b>57</b>
<b>Total liabilities and equity</b>		<b>\$18,149,207</b>	<b>100</b>	<b>\$17,776,720</b>	<b>100</b>

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Item	Notes	2018		2017	
		Amount	%	Amount	%
<b>Operating revenue</b>	4, 6 and 7	\$6,941,037	100	\$7,031,300	101
<b>Less : Sales returns and allowances</b>	6	(31,691)	-	(41,663)	(1)
<b>Net revenue</b>		6,909,346	100	6,989,637	100
<b>Operating costs</b>	6 and 7	3,484,189	50	3,512,078	50
<b>Gross profit</b>		3,425,157	50	3,477,559	50
<b>Operating expenses</b>	6 and 7				
Sales and marketing expenses		640,849	9	692,518	10
General and administrative expenses		1,097,331	16	1,166,094	17
Research and development expenses		105,582	2	91,957	1
Expected credit losses		11,300	-	-	-
Subtotal		1,855,062	27	1,950,569	28
<b>Operating income</b>		1,570,095	23	1,526,990	22
<b>Non-operating income and loss</b>					
Other income	6	66,129	1	73,847	1
Other gains and losses	6	(25,230)	-	(106,633)	(2)
Finance costs	6	(26,956)	-	(25,337)	-
Share of profit or loss of associates and joint ventures		729,994	10	948,770	14
Subtotal		743,937	11	890,647	13
<b>Income before income tax</b>		2,314,032	34	2,417,637	35
<b>Income tax expenses</b>	4 and 6	(267,204)	(4)	(212,070)	(3)
<b>Net income</b>		2,046,828	30	2,205,567	32
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurements of defined benefit plans	6	(59,828)	(1)	(46,115)	(1)
Unrealized gains on financial assets at fair value through other comprehensive income	6	(34,880)	(1)	-	-
Share of other comprehensive (loss) income of associates and joint ventures-may not be reclassified subsequently to profit or loss	6	(19,667)	-	3,948	-
Income tax related to items that will not be reclassified	6	8,010	-	4,703	-
<b>Items that may be reclassified subsequently to profit or loss</b>					
Unrealized gain on available-for-sale financial assets	6	-	-	13,273	-
Share of other comprehensive (loss) income of associates and joint ventures-may be reclassified subsequently to profit or loss	6	41,597	1	(79,669)	(1)
<b>Total other comprehensive (loss) income, net of tax</b>		(64,768)	(1)	(103,860)	(2)
<b>Total comprehensive income</b>		\$1,982,060	29	\$2,101,707	30
<b>Earnings per share (NT\$)</b>	4 and 6				
Basic earnings per share		\$4.64		\$5.00	
Diluted earnings per share		\$4.64		\$5.00	

## TAIWAN SECOM CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Description	Equity Attributable to the Parent Company									Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings			Other Components of Equity			Treasury Stock	
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets at fair value through other comprehensive income	Unrealized Gain or Loss on Available-for-Sale Financial Assets		
<b>Balance as of January 1, 2017</b>	\$4,511,971	\$853,577	\$3,040,743	\$61,565	\$1,421,990	\$(50,537)	\$-	\$(14,645)	\$(288,389)	\$9,536,275
Appropriations and distributions of 2016 unappropriated earnings										
Legal reserve	-	-	61,531	-	(61,531)	-	-	-	-	-
Special reserve	-	-	-	3,617	(3,617)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,353,591)	-	-	-	-	(1,353,591)
Other changes in capital reserve										
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	29,254	-	-	-	-	-	-	-	29,254
Cash dividends distributed from capital surplus	-	(225,599)	-	-	-	-	-	-	-	(225,599)
Net income in 2017	-	-	-	-	2,205,567	-	-	-	-	2,205,567
Other comprehensive (loss) income, net of tax in 2017	-	-	-	-	(37,464)	(89,913)	-	23,517	-	(103,860)
Total comprehensive income	-	-	-	-	2,168,103	(89,913)	-	23,517	-	2,101,707
Parent company's cash dividends received by subsidiaries	-	34,102	-	-	-	-	-	-	-	34,102
<b>Balance as of December 31, 2017</b>	\$4,511,971	\$691,334	\$3,102,274	\$65,182	\$2,171,354	\$(140,450)	\$-	\$8,872	\$(288,389)	\$10,122,148
<b>Balance as of January 1, 2018</b>	\$4,511,971	\$691,334	\$3,102,274	\$65,182	\$2,171,354	\$(140,450)	\$-	\$8,872	\$(288,389)	\$10,122,148
<b>Impact of retroactive application</b>	-	-	-	-	39,344	-	(44,049)	(8,872)	-	(13,577)
<b>Balance as of January 1, 2018 after restatement</b>	4,511,971	691,334	3,102,274	65,182	2,210,698	(140,450)	(44,049)	-	(288,389)	10,108,571
Appropriations and distributions of 2017 unappropriated earnings										
Legal reserve	-	-	220,558	-	(220,558)	-	-	-	-	-
Special reserve	-	-	-	66,396	(66,396)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,804,788)	-	-	-	-	(1,804,788)
Other changes in capital reserve										
Share of changes in net assets of associates and joint ventures accounted for using the equity method	-	(8,354)	-	-	-	-	-	-	-	(8,354)
Donated surplus	-	2,959	-	-	-	-	-	-	-	2,959
Net income in 2018	-	-	-	-	2,046,828	-	-	-	-	2,046,828
Other comprehensive (loss) income, net of tax in 2018	-	-	-	-	(73,278)	41,597	(33,087)	-	-	(64,768)
Total comprehensive income	-	-	-	-	1,973,550	41,597	(33,087)	-	-	1,982,060
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	(5,191)	-	5,191	-	-	-
Parent company's cash dividends received by subsidiaries	-	38,973	-	-	-	-	-	-	-	38,973
<b>Balance as of December 31, 2018</b>	\$4,511,971	\$724,912	\$3,322,832	\$131,578	\$2,087,315	\$(98,853)	\$(71,945)	\$-	\$(288,389)	\$10,319,421

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SECOM CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

Description	2018	2017
<b>Cash flows from operating activities:</b>		
Profit before tax from continuing operations	\$2,314,032	\$2,417,637
Net income before tax	2,314,032	2,417,637
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Bad debt expense	-	12,337
Expected credit losses	11,300	-
Depreciation	892,511	883,129
Amortization	50,127	52,595
Interest expense	26,956	25,337
Interest revenue	(2,571)	(2,362)
Dividend income	(9,186)	(14,024)
Share of gain of associates and joint ventures	(729,994)	(948,770)
Loss on valuation of financial asset	152	-
Loss (gain) on disposal of property, plant and equipment	7,861	(823)
Loss on disposal of investments	-	3,130
Impairment loss	9,879	92,288
Changes in operating assets and liabilities:		
Contract assets	5,227	-
Notes receivable, net	19,811	3,161
Accounts receivable, net	(81,796)	69,501
Accounts receivable from related parties, net	(17,231)	19,836
Lease receivables	26,301	(82,264)
Long-term receivables	11,201	(41,834)
Contract liabilities	61,383	-
Inventories, net	(42,121)	(73,555)
Prepayments	4,348	(39,882)
Other current assets	(372)	(13,756)
Notes payable	(39,473)	57,173
Accounts payable	(23,066)	62,637
Accounts payable to related parties	(24,743)	9,107
Other payables	16,799	38,217
Advanced receipts	-	45,852
Other current liabilities	(4,312)	103
Net defined liabilities, non-current	(55,168)	16,754
Cash generated from operations	2,427,855	2,591,524
Interest received	2,571	2,362
Interest paid	(26,945)	(25,206)
Income tax paid	(147,347)	(300,294)
Net cash provided by operating activities	2,256,134	2,268,386
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	-	(9,000)
Capital deducted by cash of financial assets measured at cost	-	7,650
Acquisition of investments accounted for using the equity method	(27,344)	(280,000)
Capital deducted by cash of financial assets at fair value through other comprehensive income	8,333	-
Acquisition of property, plant and equipment	(714,167)	(1,013,908)
Proceeds from disposal of property, plant and equipment	17,375	2,515
Acquisition of intangible assets	(42,357)	(58,475)
(Increase) decrease in prepayment for equipment	(9,977)	183,955
(Increase) decrease in refundable deposits	(2,118)	5,471
Decrease (increase) in other assets	10,681	(41,234)
Dividends received	596,681	507,417
Net cash used in investing activities	(162,893)	(695,609)
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	150,000	(500,000)
Increase in long-term loans	-	400,000
Decrease in long-term loans	(184,000)	(144,000)
Increase in guarantee deposits	8,732	11,190
Cash dividends paid	(1,801,829)	(1,579,190)
Net cash used in financing activities	(1,827,097)	(1,812,000)
Net decrease in cash and cash equivalents	266,144	(239,223)
Cash and cash equivalents at beginning of year	724,191	963,414
Cash and cash equivalents at end of year	\$990,335	\$724,191

## **(2) Audit Committee's review report**

### **Inspection Report of Audit Committee**

The Board of Directors made the Company's 2018 business report, financial statements (including consolidated financial statements, individual financial statements), and appropriation of earnings. The financial statements have been certified by Yu, Chien-Ju and Hsu, Hsin-Min of Ernst & Young Global Limited Certified Public Accountants who have issued the audit report. The business report, financial statements and appropriation of earnings mentioned above have been approved by the Audit Committee and considered correct and accurate in accordance with the Securities & Exchange Act and Company Act. These reports are hereby submitted for review.

2019 Annual Shareholders' Meeting of Taiwan Secom Co., Ltd.

Taiwan Secom Co., Ltd.

Audit Committee Convener: CHEN Tien-Wen

March 22<sup>th</sup>, 2019

### **(3) Employees' profit sharing bonus and directors' compensation of 2018**

#### **Description:**

In 2018, the employee remuneration totaled NT\$ 24,355,808 and the Board of Directors remuneration totaled NT\$ 97,423,231. The above-mentioned compensations have been approved by the Board of Directors on March 22<sup>nd</sup> of 2019 and are all paid in cash.

## 2. Matters for Recognition

### (1) 2018 Business Report and Financial Statements

#### Description:

A. Taiwan Secom's Individual Financial Statements, Business Report, and Consolidated Financial Statements were audited by independent auditors, Ms. Chien-Ju YU and Mr. Hsin-Min HSU of Ernst & Young Global Limited.

B. 2018 Business Report, Independent Auditors' Report, and the aforementioned Financial Statements are attached hereto in the page 4 ~ 25.

#### Resolution:

### (2) The proposal for distribution of 2018 earnings

#### Description:

A. According to the Article 27 of the Article of Incorporation, it is proposed to allocate the 2018 earnings.

B. Please refer to the 2018 earning distribution table below:

Unit: NT\$	
Descriptions	Amount (NTD)
<b>Unappropriated Retained Earnings of Previous Years</b>	79,612,091
Plus : Effect of retrospective application	39,344,352
Less : Other comprehensive income (actuarial gain on defined benefit plans)	(73,278,230)
Less : Disposal of financial assets at fair value through other comprehensive income	(5,190,994)
Plus : Net income of 2018	2,046,828,098
<b>Earnings Available for Distribution</b>	<u>2,087,315,317</u>
Distribution Item:	
- 10% Legal Reserve	(204,682,810)
- Special Reserve	(39,220,140)
- Cash Dividends (NT\$ 4 per share)	(1,804,788,372)
<b>Total amount of distribution</b>	<u>(2,048,691,322)</u>
<b>Unappropriated Retained Earnings</b>	<u>38,623,995</u>

C. Each common share holder will be entitled to receive a cash dividend of NT\$4 per share. The amounts under one dollar due to the rounding off are summed and will be transferred to the Welfare Committee of Employees of the Company.

D. The Chairman is authorized to determine the cash dividend record date and payment date upon the approval of the earning distribution proposal at the Annual Meeting of Shareholders in 2019.

E. In the event of the number of outstanding shares affected by the Company's subsequent shares' buyback, transfer or cancellation of treasury stocks, issuance of new shares because of the exercise of employee stock options, issuance or withdrawal of employee restricted stocks or other causes, the Chairman is authorized to process all the related matters.

**Resolution:**

### **3. Matters for Discussion**

#### **(1) The amendment to the Articles of Incorporation of the Company**

##### **Description:**

A. The Company hereby proposes amendments to the some articles of the Company's Articles of Incorporation.

B. The comparison chart of the amendment to the Articles of Incorporation is attached in the page 31-33.

##### **Resolution:**

#### **(2) The amendment to the Procedures of Acquisition or Disposal of Assets of the Company**

A. The Company hereby proposes amendments to the some articles of the Company's the Procedures of Acquisition or Disposal of Assets in accordance with the provisions of the Financial Supervisory Commission on Nov. 26th of 2018, Financial Supervisory Commission Certificate No. 1070341072.

B. The comparison chart of the amendment to the Procedures of Acquisition or Disposal of Assets is attached in the page 34-61.

##### **Resolution:**

#### **4. Extemporany Motions**

#### **5. Adjournment**

**[Attachment 1]**

Taiwan Secom Company, LTD.  
Comparison Table of Amendments to the Articles of Incorporation

Articles	Proposed Amendments	Current Provision	Reason for Amendment
Article 1	The Company is incorporated in accordance with the Company Act and registered under the business name <u>TAIWAN SECOM COMPANY LTD.</u>	The Company is incorporated in accordance with the Company Act and registered under the business name <u>TAIWAN SECOM COMPANY LTD.</u>	The Company’s business name in Chinese is proposed to change from “中興保全股份有限公司” to “中興保全科技股份有限公司” but the business name in English remains “TAIWAN SECOM COMPANY LTD”.
Article 2	The Company’s scope of services is set out <u>hereunder</u> : 1.901011 Security Services Business	The Company’s scope of services is set out <u>as the left</u> : 1.901011 Security Services Business	Amended the words
Article 14	The shareholders of the Company have one voting right per share, but if there is any situation that would restrict or revoke the voting rights of shareholders, it shall be done according to relevant regulations. The shareholders of the Company <u>are able to</u> exercise their voting rights through electronic means. Shareholders who exercise their voting rights electronically are deemed present in person, and related matters shall be in accordance with the provisions of the law.	The shareholders of the Company have one voting right per share, but if there is any situation that would restrict or revoke the voting rights of shareholders, it shall be done according to relevant regulations. The shareholders of the Company <u>shall be able to</u> exercise their voting rights through electronic means. Shareholders who exercise their voting rights electronically are deemed present in person, and related matters shall be in accordance with the provisions of the law	Amended the words

Article 18	<p>The Board of Directors of the Company shall appoint <u>11</u> directors by means of a candidate nomination system (<u>will be applied from the 16<sup>th</sup> Board of Directors</u>), and the shareholders shall elect directors from among the nominees for a three-year term and may be re-elected after the term. The number of appointed directors <u>aforementioned</u> shall have no less than three independent directors. The professional qualification, shareholding, part-time job restrictions, nominations, means of election as well as other relevant issues should all be in accordance with the regulations of the competent authority. Independent directors and non-independent directors shall be elected at the same time to calculate the elected places separately.</p>	<p>The Board of Directors of the Company shall appoint <u>14</u> directors by means of a candidate nomination system, and the shareholders shall elect directors from among the nominees for a three-year term and may be re-elected after the term. The number of appointed directors <u>earlier mentioned</u> shall have no less than three independent directors. The professional qualification, shareholding, part-time job restrictions, nominations, means of election as well as other relevant issues should all be in accordance with the regulations of the competent authority. Independent directors and non-independent directors shall be elected at the same time to calculate the elected places separately.</p>	Amended the content of the article
Article20	<p><u>The board of directors is composed of all directors. More than two-thirds of the directors present and more than half of the present directors agree to elect one chairman and one vice chairman among them.</u> The chairman represents the Company in managing the entire business. If the chairman asks for a leave of absence or cannot execute his/her powers due to some issues, his/her representative shall act accordingly according to Article 208 of the Company Act.</p>	<p><u>The directors shall elect four managing directors from among themselves and the managing directors shall elect one chairman and one vice chairman from among themselves.</u> The chairman represents the Company in managing the entire business. If the chairman asks for a leave of absence or cannot execute his/her powers due to some issues, his/her representative shall act accordingly according to Article 208 of the Company Act.</p>	Amended the content of the article

Article 21	<p>The board meets at least once a quarter, and <u>if there is any emergency, a special meeting can be held anytime</u>. All prior meetings mentioned are all convened by the Chairman. When the director cannot attend the Board of Directors meeting, he/she shall assign one of other director as proxy.</p> <p>Unless otherwise provided in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.</p> <p><u>A notice of Board of Directors meeting may be made by E-mail, fax or other methods of electronic communication.</u></p>	<p>The board meets at least once a quarter, and <u>a special meeting may be held if necessary</u>. All prior meetings mentioned are all convened by the Chairman. When the director cannot attend the Board of Directors meeting, he/she shall assign one of other director as proxy.</p> <p>Unless otherwise provided in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.</p> <p><u>A notice of Board of Directors meeting may be made by fax, E-mail or other methods of electronic communication.</u></p>	Amended the content of the article
Article 22	<p><u>The Company legislated a just, fair and open election procedure of directors in accordance with the Company Act. If the vacancy of directors has reached to one-thirds of the directors, the Board of Directors shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the situation arose , and the term of duty of the new elected directors is according to the time of duty left of the replaced directors.</u></p>	<p><u>During the adjournment period of the Board of Directors meeting, the Chairman convenes a managing directors' meeting at any time to execute the business. This should be carried out by a majority of the managing directors at a meeting attended by a majority of the managing directors.</u></p>	Amended the content of the article
Article 31	<p>This Articles of Incorporation was drawn up on the thirty-first of August 1977..... <u>The thirty-ninth amendment was effected on the fourteenth of June 2019 after approval during the shareholders' meeting and amendment.</u></p>	<p>This Articles of Incorporation was drawn up on the thirty-first of August 1977..... <u>The thirty-eighth amendment was effected on the twenty-second of June 2017 after approval during the shareholders' meeting and amendment.</u></p>	Added the amendment date

[Attachment 2]

Taiwan Secom Company, LTD.

Comparison Table of Amendments to the Procedures of Acquisition or Disposal of Assets

Articles	Proposed Amendments	Current Provision	Reason for Amendment
Article 3	<p>Scope of assets described in this procedures:</p> <ol style="list-style-type: none"> <li>1. Stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary interest securities and asset-backed securities.</li> <li>2. Real property (including lands, houses and buildings, investment property, land-use right, and construction enterprise inventory) and equipment.</li> <li>3. Memberships.</li> <li>4. Intangible assets: including patents, copyrights, trademarks, and franchise rights.</li> <li><u>5. Right-of-use Assets.</u></li> <li><u>6. Claims of financial institutions</u> (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li><u>7. Derivatives.</u></li> <li><u>8. Asset acquired or disposed in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</u></li> <li><u>9. Other major assets.</u></li> </ol>	<p>Scope of assets described in this procedures:</p> <ol style="list-style-type: none"> <li>1. Stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary interest securities and asset-backed securities.</li> <li>2. Real property (including lands, houses and buildings, investment property, land-use right, and construction enterprise inventory) and equipment.</li> <li>3. Memberships.</li> <li>4. Intangible assets: including patents, copyrights, trademarks, and franchise rights.</li> <li><u>5. Claims of financial institutions</u> (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li><u>6. Derivatives.</u></li> <li><u>7. Asset acquired or disposed in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</u></li> <li><u>8. Other major assets.</u></li> </ol>	Added paragraphs

<p>Article 6</p>	<p>Approval Authority Level</p> <p>For the Company’s acquisition or disposal of assets, except <u>otherwise regulated in these procedures or government regulations</u>, if the total amount is under NTD\$50 million, the General Manager is authorized to determine it; if the total amount is over NTD\$50 million and under NT\$300 million, the chairman is authorized to determine it; if the total amount is over NT\$300 million, it shall be proposed to the Board of Directors to review and approve. <u>Under the regulations or urgency of business needs, the board of directors may authorize the chairman</u> in advance to handle the matter within the specific amount and it will be proposed in the next Board of Directors’ meeting for recognition after. Only if the material acquisition or disposal of assets, <u>derivatives trading or other trading otherwise regulated</u> shall be approved by the Audit Committee, and be proposed to the Board of Directors to determine.</p> <p><u>In the event of any discussion for acquisition and disposal of assets by the Board of Directors pursuant to the provisions, the Board of Directors shall take into full consideration each Independent Director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</u></p>	<p>Approval Authority Level</p> <p>For the Company’s acquisition or disposal of assets, except <u>having the acquisition or disposal of assets from a related party (processing according to the rules of the Article 11 )</u>, if the total amount is under NTD\$50 million, the General Manager is authorized to determine it; if the total amount is over NTD\$50 million and under NT\$300 million, the chairman is authorized to determine it; if the total amount is over NT\$300 million, it shall be proposed to the Board of Directors to review and approve. However, <u>in order to meet the requirements of business and to earn the time, it can be</u> determined by the chairman in advance, and will be proposed in the next Board of Directors’ meeting for recognition after. Only if the material acquisition or disposal <u>intangible</u> assets, it shall be approved by the Audit Committee, and be proposed to the Board of Directors to determine.</p>	<p>Amended the content of the article</p>
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	<p><u>Where the acquisition or disposal requires approval by the Audit Committee, they shall be approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the matters may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting. The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</u></p>		
Article 8	<p>The standard for the investment information which shall be disclosed to the public and reported</p> <p>There are the following information for the acquisition or disposal assets of the Company which shall be disclosed to the public and complete reporting to the assigned website of the Financial Supervisory Commission ( hereafter refer to as FSC ) within two days from the day when the factor occurred, according to the type of investment and the standard form regulated by the authorities:</p> <p>1. Acquisition and disposal of real property or its <u>right-of-use assets</u> thereof from or to a</p>	<p>The standard for the investment information which shall be disclosed to the public and reported</p> <p>There are the following information for the acquisition or disposal assets of the Company which shall be disclosed to the public and complete reporting to the assigned website of the Financial Supervisory Commission ( hereafter refer to as FSC ) within two days from the day when the factor occurred, according to the type of investment and the standard form regulated by the authorities:</p> <p>1. Acquisition and disposal of real property from or to a related party, or acquisition</p>	Amended the content of the article

	<p>related party, or acquisition and disposal of assets other than real property or its <u>right-of-use assets</u> thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. However, this shall not apply to the trading of <u>government bonds</u> or bonds under repurchase and resale agreements and the purchase or redemption of domestic money market funds.</p> <ol style="list-style-type: none"> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivative trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</li> <li>4. Where the type of asset acquired and disposed is mechanical equipment <u>or its right-of-use assets</u> thereof for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.</li> <li>5. Where the type of the real property or <u>its right-of-use assets</u> thereof acquired and disposed which is used for the operation and the construction by the public Company whose business is to operate the construction business, the trading counterparty is not a related party, and the</li> </ol>	<p>and disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. However, this shall not apply to the trading of government bonds or bonds under repurchase and resale agreements and the purchase or redemption of domestic money market funds.</p> <ol style="list-style-type: none"> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivative trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</li> <li>4. Where the <u>type of asset</u> acquired and disposed is mechanical equipment for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.</li> <li>5. Where the type of the real property acquired and disposed which is used for the operation and the construction by the public Company whose business is to operate the construction business, the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.</li> <li>6. Where land is acquired under</li> </ol>	
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	<p>transaction amount reaches NT\$500 million or more.</p> <p>6. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and its counterparty <u>is not a related party</u>, and the amount the Company expects to invest in the transaction is more than NT\$500 million.</p> <p>7. Where there is an asset transaction, other than any such transactions referred to in the preceding six subparagraphs, a disposal of receivables to a financial institution, or an investment in mainland China area that reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of <u>domestic</u> government bonds.</p> <p>(2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics <u>(excluding subordinated</u></p>	<p>an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million.</p> <p>7. Where there is an asset transaction, other than any such transactions referred to in the preceding six subparagraphs, a disposal of receivables to a financial institution, or an investment in mainland China area that reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p><u>the preceding transaction amount is calculated in accordance with the following methods:</u></p> <p>(1) Trading of government bonds.</p> <p>(2) Where done by professional investors—securities trading on <u>domestic or overseas</u> securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity</p>	
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	<p><u>debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or</u></p> <p>subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase/resale agreements, or repurchase of money market and funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or <u>right-of-use assets</u> thereof</li> </ol>	<p>characteristics that are offered and issued in the primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase/resale agreements, or repurchase of money market and funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. The amount of any individual transaction.</li> <li>2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year.</li> <li>4. The cumulative transaction amount of acquisitions and</li> </ol>	
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	<p>within the same development project within the preceding year.</p> <p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in</p>	<p>disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission. The company acquiring or</p>	
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	<p>their entirety within two days counting inclusively from the date of knowing of such error or omission. The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p>	
Article 10	<p>I. Where the Company acquires or disposes of the real property, equipment <u>or its right-of-use assets thereof</u>, and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a <u>domestic</u> government agency, under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, or the acquisition and disposal of the operational-purposed equipment <u>or its right-of-use assets</u> thereof, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price and shall be in accordance with the following regulations:</p> <p>(1) If a limited price, specific price, or special price is used as</p>	<p>I. Where the Company acquires or disposes of the real property <u>or</u> equipment, and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, or the acquisition and disposal of the operational-purposed equipment, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price and shall be in accordance with the following regulations:</p> <p>(1) If a limited price, specific price, or special price is used as a reference for the transaction price, the same transaction shall require</p>	Amended the content of the article

	<p>a reference for the transaction price, the same transaction shall require approval from the board of directors in advance. The <u>same</u> shall apply to <u>subsequent</u> change of terms and conditions for transaction.</p> <p>(2) If the transaction price is over NT\$1 billion, the Company should retain at least two professional appraisers to perform the appraisal.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10%</li> </ol>	<p>approval from the board of directors in advance. The same shall <u>apply to future change of terms and conditions for transaction.</u></p> <p>(2) If the transaction price is over NT\$1 billion, the Company should retain at least two professional appraisers to perform the appraisal.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or</li> </ol>	
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	<p>or more of the transaction amount.</p> <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date, provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>II. Where the Company acquires or disposes of intangible assets <u>or its right-of-use assets thereof or memberships</u>, and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a <u>domestic</u> government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p><u>III. Where the Company acquires or disposes of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the</u></p>	<p>more professional appraisers is 10% or more of the transaction amount.</p> <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date, provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>II. Where the Company acquires or disposes of <u>memberships</u> or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p> <p><u>III. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</u></p>	
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transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC). The calculation of the transaction amounts referred to in the preceding 3 paragraphs shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.

**IV.** Where the Company acquires or disposes of assets through court auction

	<p>procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>		
Article 11	<p>Acquisition or disposal of assets from or to a related party</p> <p>I. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions following relevant regulations and these Procedures are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provision of the preceding Section.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained following these Procedures need not be counted toward the transaction</p>	<p>Acquisition or disposal of assets from or to a related party</p> <p>I. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions following relevant regulations and these Procedures are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provision of the preceding Section. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained following these Procedures need not be</p>	<p>Amended the content of the article</p>

	<p>amount.</p> <p>When judging whether transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>II. When a public company intends to acquire or dispose of real property <u>or right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property <u>or right-of-use assets thereof</u> from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of <u>domestic</u> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> <li>1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2) The reason for choosing the related party as transaction counterparty.</li> </ol>	<p>counted toward the transaction amount.</p> <p>When judging whether transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>II.</p> <p>When this company intends to acquire or dispose of real property or assets other than real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD 300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until <u>the following matters</u> have been approved by the audit committee and board of directors:</p> <ol style="list-style-type: none"> <li>1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2) The reason for choosing the related party as transaction</li> </ol>	
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	<p>3) With respect to the acquisition of real property or <u>right-of-use assets</u> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with these Procedures.</p> <p>4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding</p>	<p>counterparty.</p> <p>3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with these Procedures.</p> <p>4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the</p>	
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the date of occurrence of the current transaction. Items that have been approved by the audit committee and the board of directors need not be counted toward the transaction amount.

Where the Company and its parent or subsidiary, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may pursuant to Article 6 herein to delegate the board chairman to decide such matters when the transaction is within the amount of NTD 500 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.

II. Acquisition or disposal of real property right-of-use assets held for business use.

III. Where the Company acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is

date of occurrence of the current transaction. Items that have been approved by the audit committee and the board of directors need not be counted toward the transaction amount.

Where the Company or its parent or subsidiary acquire or disposes the equipment for business use, the Company's board of directors may pursuant to Article 6 herein to delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to this Article, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Any transaction shall be approved by one-half or more of all audit committee members following this Article and submitted to the board of directors for a resolution.

If approval of one-half or more of all audit committee

imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

2)

Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

IV.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

V. Where the Company acquires real property or its right-of-use

members as required in the preceding subparagraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

III. Where the Company

acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1)

Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as

	<p><u>assets thereof</u> from a related party and appraises the cost of the real property <u>or its right-of-use assets thereof</u> in accordance with paragraph 3 <u>and 4</u> of this Article shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>VI.</p> <p>Where the company acquires real property <u>or its right-of-use assets thereof</u> from a related party and one of the following circumstances exists, the assessment of transaction cost reasonableness shall be conducted in accordance with paragraph 2 of this article, and the preceding three paragraphs do not apply:</p> <p>1) The related party acquired the real property <u>or its right-of-use assets thereof</u> through inheritance or as a gift.</p> <p>2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</p> <p>3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>4) <u>The real property right-of-use assets for business use are acquired by the</u></p>	<p>security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>IV. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>V. Where the Company acquires real property from a related party and appraises the cost of the real property in accordance with the <u>subparagraphs 1) and 2) in</u> paragraph 3 of this Article shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>VI. Where the company acquires real property from a related party and one of the following circumstances exists, the assessment of transaction cost reasonableness shall be conducted in accordance with paragraph 2 of this</p>	
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	<p><u>Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p> <p>VII. When the company acquires real property <u>or its right-of-use assets thereof</u> from a related party and the results of the company's appraisal conducted in accordance with paragraph 3 and paragraph 4 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 8. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1)</p> <p>Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the</p>	<p>article, and the preceding three paragraphs do not apply:</p> <p>1) The related party acquired the real property through inheritance or as a gift.</p> <p>2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</p> <p>3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>VII. When the results of the company's appraisal conducted in accordance with paragraph 3 and paragraph 4 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 8. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this</p>	
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	<p>actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>2. Provide evidence that the terms of acquiring a real property or <u>leasing</u> a right-of-use assets are equivalent to transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.</p> <p>2)</p> <p>Where the company acquires real property <u>or obtains right-of-use assets of real property</u> from a related party, it should provide evidence that the terms of the <u>transaction</u> are similar to the terms of <u>completed transactions</u> involving neighboring or closely valued parcels of land of a similar size by unrelated parties</p>	<p>restriction shall not apply:</p> <p>1)</p> <p>Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property</p>	
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	<p>within the preceding year. The aforementioned <u>completed transactions</u> involving neighboring or closely valued parcels of land in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property <u>or obtainment of the right-of-use assets thereof</u>.</p> <p>VIII. Where the company acquires real property <u>or its right-of-use assets thereof</u> from a related party and the results of appraisals conducted in accordance with the preceding paragraphs 6 to 7 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1) A special reserve shall be set aside against the difference between the real property <u>or its right-of-use assets thereof</u> transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.</p>	<p>market sale practices.</p> <p><u>3. Completed leasing by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market leasing practices.</u></p> <p>2) Where the company acquires real property from a related party provides evidence that the terms of the transaction are similar to the terms of <u>completed transactions</u> involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. The aforementioned <u>completed transactions</u> involving neighboring or closely valued parcels of land in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to <u>transactions completed</u> by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the</p>	
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	<p>Where the Company uses the equity method to account for its investment in another company, then the special reserve called for shall be set aside pro rata in a proportion consistent with the share of the company's equity stake in the other company.</p> <p>2) Independent directors of the audit committee shall comply with the Company Act</p> <p><u>3) The handling status in the previous 2 days shall be submitted to the shareholders' meeting, and detailed contents of the transaction shall be disclosed in the annual report and prospectus.</u></p> <p>Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. When the Company obtains real property <u>or its right-of-use assets thereof</u> from a related party, it shall also comply with the preceding two paragraphs if</p>	<p>year preceding the date of occurrence of the acquisition of the real property.</p> <p>VIII.</p> <p>Where the company acquires real property from a related party and the results of appraisals conducted in accordance with the preceding paragraphs 3 to 7 are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>1) A special reserve shall be set aside against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for shall be set aside pro rata in a proportion consistent with the share of the company's equity stake in the other company.</p> <p>2) Independent directors of the audit committee shall comply with the Company Act</p> <p>Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a</p>	
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	<p>there is other evidence indicating that the acquisition was not an arm length transaction.</p>	<p>premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm length transaction.</p>	
<p>Article 12</p>	<p>Engaging in Derivatives Trading  I. Derivatives refer to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable</u>; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.  II.  Where the Company deals with bond leverage trading shall be</p>	<p>Engaging in Derivatives Trading  I. Derivatives refer to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from asset, interest rate, foreign exchange rate, index of prices or other variable; or hybrid contracts combining the above contracts; or hybrid contract. The term "forward contracts" in this paragraph does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.  II.  Where the Company deals with bond leverage trading shall be handled in accordance with these Procedures.  III.</p>	<p>Amended the content of the article</p>

	<p>handled in accordance with these Procedures.</p> <p>III.</p> <p>The management strategies are strengthening asset and liability management of the company and enhancing efficiency of funds usage and hedging.</p> <p>IV.</p> <p>The trading execution unit is the operation team formed by the general manager as empowered by the Board of Directors and management of confirmation, settlement and accounts are uniformly handled by accounting department. For risk management in trading (including credit, market price, liquidity, operational, and legal risks, etc.), the audit unit empowered to take charge of risk measurement, monitoring and control, and the manager of administration department is responsible for supervision as empowered by the board of directors. Derivatives trading positions held by the Company shall be evaluated by audit unit at least once per week, however, hedge trades required by business shall be evaluated at least twice per month and evaluation reports shall be submitted to the manager of administration department. The manager of administration department, in addition to periodically ensuring that the risk management procedures are</p>	<p>The management strategies are strengthening asset and liability management of the company and enhancing efficiency of funds usage and hedging.</p> <p>IV. The trading execution unit is the operation team formed by the general manager as empowered by the Board of Directors and management of confirmation, settlement and accounts are uniformly handled by accounting department. For risk management in trading (including credit, market price, liquidity, operational, and legal risks, etc.), the audit unit empowered to take charge of risk measurement, monitoring and control, and the manager of administration department is responsible for supervision as empowered by the board of directors. Derivatives trading positions held by the Company shall be evaluated by audit unit at least once per week, however, hedge trades required by business shall be evaluated at least twice per month and evaluation reports shall be submitted to the manager of administration department. The manager of administration department, in addition to periodically ensuring that the risk management procedures are appropriate and has faithfully followed these Procedures, periodically evaluating the risk management measures currently employed are appropriate and are faithfully conducted in</p>	
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<p>appropriate and has faithfully followed these Procedures, periodically evaluating the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures, when irregular circumstances are found in the MTM reports (e.g. positions held exceeds loss limit), a report shall immediately be made to the board of directors and appropriate measures shall be adopted. The company shall report to the soonest meeting of the board of directors after the general manager authorizes the relevant personnel to handle derivatives trading.</p> <p>V.</p> <p>The book value of cost (e.g. exchange rate) and the gain/loss incurred from trades of derivatives are taken as basis of performance assessment.</p> <p>In order to fully control and express assessment risk on trades, a monthly assessment has been adopted to assess gain and loss. Accounting department shall offer rating and market trend analysis of traded goods every month for general manager as reference of decision making.</p> <p>VI. Total amount of contract:</p> <p>1)</p> <p>Non-trading (hedging held asset or liability risk):</p> <p>Not exceeding assets held or total amount of liability in</p>	<p>accordance with these Regulations and the procedures, when irregular circumstances are found in the MTM reports (e.g. positions held exceeds loss limit), a report shall immediately be made to the board of directors and appropriate measures shall be adopted. The company shall report to the soonest meeting of the board of directors after the general manager authorizes the relevant personnel to handle derivatives trading.</p> <p>The book value of cost (e.g. exchange rate) and the gain/loss incurred from trades of derivatives are taken as basis of performance assessment.</p> <p>to fully control and express assessment risk on trades, a monthly assessment has been adopted to assess gain and loss.</p> <p>Accounting department shall offer rating and market trend analysis of traded goods every month for general manager as reference of decision making.</p> <p>VI. Total amount of contract:</p> <p>Non-trading (hedging held asset or liability risk):</p> <p>ng assets held or total amount of liability in principle. The excessive portion shall be attributed to trading.</p> <p>Trading:</p> <p>ount of derivatives contracts is in principle no more than 40 percent of the Company's paid-in capital.</p> <p>The maximum loss limit on total trading is USD 1 million, and for individual contracts is USD 500</p>	
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	<p>principle. The excessive portion shall be attributed to trading.</p> <p>2)</p> <p>Trading:</p> <p>The total amount of derivatives contracts is in principle no more than 40 percent of the Company's paid-in capital.</p> <p>VII.</p> <p>The maximum loss limit on total trading is USD 1 million, and for individual contracts is USD 500 thousand.</p> <p>VIII.</p> <p>The trading operation procedures are as follows:</p> <p>1)</p> <p>Degree of authority: Supervisor of trading unit shall also offer degree application form in writing form based on the trading personnel's status and experience, and shall grant trading personnel trading degree and stop loss degree, however, the stop loss degree shall not exceed the aforementioned limits.</p> <p>2)</p> <p>Trading implementation: trading personnel shall obtain trade certificates from the trading counterparties after each transaction, and the certificates shall be submitted to supervisors of each unit for signing and approval before submitting to accounting department and audit</p>	<p>thousand.</p> <p>The trading operation procedures are as follows:</p> <p>Degree of authority: Supervisor of trading unit shall also offer degree application form in writing form based on the trading personnel's status and experience, and shall grant trading personnel trading degree and stop loss degree, however, the stop loss degree shall not exceed the aforementioned limits.</p> <p>Trading implementation: trading personnel shall obtain trade certificates from the trading counterparties after each transaction, and the certificates shall be submitted to supervisors of each unit for signing and approval before submitting to accounting department and audit unit.</p> <p>Trading confirmation: The accounting department shall perform confirmation and checking with counterparty of the trade based on approved and signed trade certificates, conduct registration by the figures on confirmation note and details, and create tabulation before submitting to trading unit. The audit unit performs accounting handling and risk control.</p> <p>Where the Company engages in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to</p>	
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	<p>unit.</p> <p>3)</p> <p>Trading confirmation: The accounting department shall perform confirmation and checking with counterparty of the trade based on approved and signed trade certificates, conduct registration by the figures on confirmation note and details, and create tabulation before submitting to trading unit. The audit unit performs accounting handling and risk control.</p> <p>4)</p> <p>Where the Company engages in derivatives trading shall establish a <a href="#">log book</a> in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under relevant regulations and these Procedures shall be recorded in detail in the log book.</p> <p>IX.</p> <p>Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>X.</p> <p>Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk and should periodically evaluate whether derivatives</p>	<p>be carefully evaluated under relevant regulations and these Procedures shall be recorded in detail in the log book.</p> <p>Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk and should periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance, also, the senior management personnel shall periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures.</p> <p>Similar circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.</p> <p>Internal audit personnel shall periodically make a</p>	
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	<p>trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance, also, the senior management personnel shall periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures.</p> <p>When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.</p> <p>XI.</p> <p>Internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithful derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, audit committee shall be notified in writing, and related personnel</p>	<p>determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithful derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, audit committee shall be notified in writing, and related personnel shall be penalized based on status of violation.</p>	
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	shall be penalized based on status of violation.		
Article 14	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provides the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <u>shall meet the following requirements:</u></p> <p><u>I. May not have previously received a final and unappeasable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></p> <p><u>II. May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional</u></p>	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provides the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions <u>shall not be a related party to the counterparty.</u></p>	Amended the content of the article

	<u>appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u>		
Article 15	<p>Rules for Subsidiary’s asset acquisition or disposal</p> <p>I. The subsidiary’s acquisition or disposal of assets shall also be handled following rules of parent company.</p> <p>II. Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.</p> <p>III. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 8, paragraph 1.</p> <p>IV. The Company shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with these Procedures.</p>	<p>Rules for Subsidiary’s asset acquisition or disposal</p> <p>I. The subsidiary’s acquisition or disposal of assets shall also be handled following rules of parent company.</p> <p>II. Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.</p> <p>III. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether it reaches the threshold requiring public announcement and regulatory filing <u>of 20 percent of the paid-in capital or 10 percent of the total assets</u> under Article 8, paragraph 1, <u>subparagraph 5.</u></p> <p>IV. The Company shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with these Procedures.</p>	Amended the content of the article

## [Appendices 1]

### **TAIWAN SECOM COMPANY LTD. Rules of Procedure for Shareholders' Meetings**

Approved during the meeting of shareholders on June 22<sup>nd</sup>, 2017

Article 1: The shareholders' meeting shall be held in accordance with the company's rules of procedure.

Article 2: The venue for the shareholders' meeting shall be within the county or city where this Corporation is located, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 3: For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation and stating the scope of the proxy's authorization. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting. The proxy form and related materials shall be handled and retained according to relevant laws and regulations. Shareholders (or their proxies) shall attend the shareholders' meeting based on attendance cards, sign-in cards, or other certificates of attendance; solicitors soliciting proxy forms shall also bring identification documents for verification.

Article 4: Attendance at shareholders meetings shall be calculated based on the number of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

Article 5: This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity. Staff handling administration affairs of a shareholders' meeting shall wear identification cards or arm bands.

Article 6: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be presided over by the Chairperson of the Board. When the Chairperson of the Board is on leave or for any reason unable to exercise his/her powers, a proxy shall be appointed in accordance with the Company Law. When a director serves as Chair, as referred to in the preceding paragraph, the director must have held that position for six months or more and understands the financial and business conditions of the company. The same holds true for a representative of a juristic person director that serves as Chair. If a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

Article 7: When the attending shareholders represent the majority of the total number of issued shares, the Chair shall call the meeting to order. If the meeting has exceeded the allotted time, but the quorum is not met, the Chair may announce a postponement, provided that two such postponements are made; i.e.,

20 minutes followed by 10 minutes. If the quorum is still not met after two postponements, and the attending shareholders represent one-third or more of the total number of issued shares, the tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act.

Article 8: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a shareholders' resolution. The Chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda specified in the preceding paragraphs (including extraordinary motions), except by a shareholders' resolution. If the Chair violates the rules and declares the meeting adjourned, one person may be elected to be the Chair at the shareholders' meeting by the majority of attending shareholders who represent more than half of the total number of outstanding shares, in order to continue the meeting.

If the meeting has been adjourned according to a resolution, the shareholders cannot elect another Chair and continue the meeting at the same address or find other venues.

Article 9: When a meeting is in progress, the Chair may announce a break as deemed necessary due to time constraints.

Article 10: When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juristic person shareholder appointed two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

Article 11: Before speaking, an attending shareholder (or a proxy) must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the Chair. A shareholder (or a proxy) in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chair and the shareholder that has the floor. The Chair shall stop any violation.

Article 12: Except with the consent of the Chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the Chair may terminate the speech.

Article 13: The Chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When the proctors (or security personnel) help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor".

Article 14: After an attending shareholder has spoken, the Chair may respond in person or direct relevant personnel to respond.

Article 15: The Chair shall allow ample explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the Chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the Chair may announce the discussion closed and call for a vote.

Article 16: When the company convenes a shareholders' meeting, it shall allow exercises of voting rights in electronic or written form. Unless a special resolution stipulated under the Company Act, compliance with regulations on the passage of all proposals shall require an affirmative vote of a majority of attending shareholders with voting rights.

Article 17: Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chair, provided that all monitoring personnel shall be shareholders of this Corporation. The vote counting process during the shareholders' meeting or the proposal for election shall proceed publicly at the site of the shareholders' meeting, and the results of the voting shall be announced on the spot after finishing the counting of votes, including the statistical number of voting rights, which shall be recorded. Shareholders shall elect directors during the shareholders' meeting in accordance with relevant company regulations pertaining to the election and appointment. The results of the election shall be announced on the spot, including the list of elected members and their elected numbers of voting rights. The votes for the subjects during the election referred to in the preceding paragraph shall be sealed and signed by the vote monitoring personnel and shall be kept in good condition for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189 of the Company Law, the votes shall be kept at least until the termination of the lawsuit.

Article 18: When there is an amendment or an alternative to a proposal, the Chair shall decide the order in which they will be put to a vote, including the original subject. When any one among them is passed, the order proposals will then be deemed rejected, and no further voting shall be required.

Article 19: This Company shall make a continuous and uninterrupted audio and video recording of all procedures, like the attendance and registration of shareholders, meeting process, and the voting & counting votes. The preceding audio and video shall be kept for at least one year, but if a shareholder files a lawsuit in accordance with Article 189 of the Company Law, they should be kept until the termination of the lawsuit.

Article 20: When there is any issue not stipulated in these rules to be against the law, it should be handled in accordance with the Company Law or other related regulations or Articles of Incorporation.

Article 21: Any proposed modification of these rules shall be submitted to the Board of Directors for resolution followed by approval during the shareholders' meeting, so that it can be executed

## [Appendices 2]

### **TAIWAN SECOM COMPANY LTD.**

#### **Articles of Incorporation**

##### Chapter I General Provisions

Article 1: The Company is incorporated in accordance with the Company Act and registered under the business name TAIWAN SECOM COMPANY LTD.

Article 2: The Company's scope of services is set out hereunder:

1. 901011 Security Services Business

Article 3: The Company is headquartered in Taipei, and is permitted to set up branches and production, logistics & sales agencies in strategic locations in and out of the country when necessary.

Article 4: The Company may offer the external guarantee service according to business requirements.

##### Chapter 2 Shares

Article 5: The total amount of the Company's capital is NT\$ 5 billion, which is divided into 500 million shares, with a value per share of NT\$ 10, to be issued in installments.

Article 6: The Company shall issue nominal shares after the signatures or stamp/seal of the Chairman of the Board and three or more Directors have been affixed, and assigned numbers have been added and confirmed by a competent authority or an approved institution in charge of issuance & registration. When the Company issues nominal shares, those shares shall not be printed, but they shall be kept and recorded by the centralized securities depository enterprise.

Article 7: The shareholders of the Company shall inform the Company to register their names and places of residence into the roster of shareholders, as well as business card stamp with the Company or company-designated shareholders services agencies.

Article 8: (Deleted)

Article 9: The registration of shares transfer in the Company shall not be done within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits.

Article 10: The shareholders' services of the Company shall go through the provisions specified in the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the competent authority.

## Chapter 3 Shareholders' Meeting

Article 11: There are two types of shareholders' meeting in the Company:

regular meeting and special meeting. A regular meeting shall be convened within six months after the close of each fiscal year, whereas, a special meeting is held in accordance with the law, when necessary.

Article 12: When a shareholder is unable to attend the shareholders' meeting for whatever reason, that shareholder shall appoint a proxy by offering company-printed and issued solicitation document stipulating the extent of the authorization. Appointing a proxy in addition to Article 177 of the Company Law, shall be done according to the "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies" by the corresponding government department.

Article 13: The shareholders' meetings of the Company are convened by the Board of Directors, with the Chairman acting as Chair. If the Chairman asks for leave or doesn't execute his/her powers, this shall be done in accordance with the Company Law. If the meeting is convened by other personnel with the right to convene, but does not belong to the Board of Directors, that person with the right to convene will become the Chair, and if there are two persons or more personnel with the right to convene, only one person shall be elected mutually to convene.

Article 14: The shareholders of the Company have one voting right per share, but if there is any situation that would restrict or revoke the voting rights of shareholders, it shall be done according to relevant regulations. The shareholders of the Company shall be able to exercise their voting rights through electronic means. Shareholders who exercise their voting rights electronically are deemed present in person, and related matters shall be in accordance with the provisions of the law.

Article 15: A Company resolution is passed during the shareholders' meeting by a majority of attending shareholders who represent more than half of the total number of outstanding shares, except for other regulations in the Company Law.

Article 16: Resolutions adopted during the shareholders' meeting shall be recorded in the minutes of the meeting, signed or sealed by the Chairman of the shareholders' meeting and distributed to the shareholders within 20 days after the meeting. The production and distribution of proceedings could be made in electronic form; the distribution of the former proceeding shall be made through public announcement.

Article 17: (Deleted).

## Chapter 4 The Board of Directors and Directors

Article 18: The Board of Directors of the Company shall appoint 14 directors by means of a candidate

nomination system, and the shareholders shall elect directors from among the nominees for a three-year term and may be re-elected after the term. The number of appointed directors earlier mentioned shall have no less than three independent directors. The professional qualification, shareholding, part-time job restrictions, nominations, means of election as well as other relevant issues should all be in accordance with the regulations of the competent authority. Independent directors and non-independent directors shall be elected at the same time to calculate the elected places separately.

Article 19: The Company shall authorize the Board of Directors to discuss and decide the compensation for the Chairman, Vice Chairman and directors based on their contributions to the Company. The compensation for independent directors should be discussed and decided based on the directors' contributions to the Company every month, while considering industry standards at the same time. However, these independent directors shall not be included in the distribution of compensation according to Article 26.

Article 20: The directors shall elect from among themselves managing directors as well as one chairman and one vice chairman. The chairman represents the Company in managing the entire business. If the chairman asks for a leave of absence or cannot execute his/her powers due to some issues, his/her representative shall act accordingly according to Article 208 of the Company Law.

Article 21: The board meets at least once a quarter, and a special meeting may be held if necessary. All prior meetings mentioned are all convened by the Chairman. When the director cannot attend the BOD meeting, he/she shall assign another director as proxy. Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. A notice of BOD meeting may be made by fax, E-mail or other methods of electronic communication.

Article 22: During the adjournment period of the BOD meeting, the Chairman convenes a managing directors' meeting at any time to execute the business. This should be carried out by a majority of the managing directors at a meeting attended by a majority of the managing directors.

Article 23: The Company sets up the Audit Committee in accordance with the regulations of the Securities and Exchange Act. The members of the Audit Committee shall consist of all managing directors. The execution and other relevant matters pertaining to powers of the Audit Committee shall be in accordance with the Company Law, the Securities and Exchange Act and other regulations.

#### Chapter 5 Managerial Personnel

Article 24: The company has managerial personnel. The appointment, discharge and remuneration thereto shall be subject to Article 29 of the Company Law.

#### Chapter 6 Final Accounts and Surplus Distribution

Article 25: At the end of the Company's fiscal year, the BOD shall edit the following proposals and submit them to the shareholders' meeting for ratification:

- 1) Annual Business Report
- 2) Financial Statement
- 3) Appropriation of profits and remedy in the event of loss

Article 26: If the Company has earnings for the year (The so-called earnings refer to pre-tax net earnings before deducting the benefits and compensation distributed to employees and directors.), it shall be no less than 1% for employee compensation and no more than 4% for directors' remuneration. However, the Company still has accumulated losses (including the adjustment to the amount of surplus which has not yet been distributed). The amount of compensation should be retained in advance. The employee compensation in the preceding paragraph is paid in the form of either stock or cash, and the target recipients may include employees of the auxiliary companies subject to conditions set by the Board of Directors. The directors' remuneration in the preceding paragraph may only be paid in cash. The first two subjects shall be decided by the Board of Directors and reported during the shareholders' meeting.

Article 27: If there is a surplus in the company's annual final accounts which is equal to the after-tax net earnings of this term, the Company should first make up for the accumulated losses (including adjusting the undistributed surplus amount), and allocate 10% to the statutory surplus reserved according to law; however, if the statutory surplus accumulation has reached the total amount of the company's paid-in capital, such limit does not apply. Secondly, this is a legal order to allocate or retain a special reserve according to regulations or the competent authority. If there is any surplus, the BOD shall make a proposal for surplus distribution, including undistributed surplus in the beginning of this term, and report this during the shareholders' meeting to resolve the distribution of dividend to the shareholders. There is business development potential for the Company which observes the economic environment in order to sustain its business and long-term development. Therefore, when the BOD draws up the surplus distribution proposal, it will focus on the stability and growth of dividends. A cash or stock dividend policy is adopted, with cash allotment of no less than 10%.

#### Chapter 7 Supplementary Provisions

Article 28: The Company can have a foreign investment according to the necessity of the business, and it can be a shareholder with limited responsibility of another company, after approval of the BOD. Its total amount of foreign investment shall not be subject to the limitation in Article 13 of the Company Law.

Article 29: The organization, regulations and procedure of the BOD and branches of the Company's affiliates are regulated by the board of directors.

Article 30: Any unspecified matters in this Articles of Incorporation shall be dealt with in accordance with the Company Law.

Article 31: This Articles of Incorporation was drawn up on the thirty-first of August 1977.....The

thirty-seventh amendment was effected on the third of June 2016. The thirty-eighth amendment was effected on the twenty-second of June 2017 after approval during the shareholders' meeting and amendment.

## [Appendices 3]

### TAIWAN SECOM COMPANY LTD. Procedures for Acquisition and Disposal of Assets

Approved during the meeting of shareholders on June 22, 2017

#### Article 1: Purpose

In order to guarantee the investment and to ensure the information transparency, the Company shall handle acquisition and disposal assets according to these procedures.

#### Article 2: Applicable Laws and Regulations

These Procedures are promulgated pursuant to Article 36-1 of the Securities and Exchange Act and Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

#### Article 3: Scope of assets described in this procedures:

1. Negotiable securities: including stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund,, depositary receipts, call (put) warrants, beneficiary interest securities and asset backed securities.
2. Real property (including land, houses and buildings, investment property, land user, and construction enterprise inventory) and equipment.
3. Memberships.
4. Intangible assets: including intangible assets such as patents, copyrights, trademarks, and franchise rights.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Asset acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

#### Article 4: Evaluation Procedure

1. For the acquisition or disposal the securities traded not at the stock exchange market or not through a business site of a securities dealer, the Company shall consider the net value per share, profitability, future potential of development, market interest rate, Bond Coupon Rate, Debtors' Credits, and the current trading price to negotiate.
2. For the acquisition or disposal the securities traded at the stock

exchange market or through a business site of a securities dealer, the Company shall principally consider the current price of equity or bond to decide; Except for the capital increased by cash or other trading not at the stock exchange market or through a business site of a securities, the Company shall evaluate the rationality of their price.

3. For the acquisition or disposal other assets excluded the prior 2 proceedings, the Company shall choose one method among price inquiry, price comparison, price negotiation, or bidding to decide it and shall refer to the announced current value, assessed value, the actual trading price of real estates around the neighborhood and etc. to decide it. If it is conformed to the rules of relative regulations and these procedures and is qualified to obtain a professional assessment report, the Company shall refer to the assessment reports of the professional assessors.

#### Article 5: Acquisition or disposal procedures of assets

1. For acquisition or disposal assets, the undertaking department shall be going to get the reasons, target object, counter of trading, transition price, conditions and price of receipt and pay as a reference and evaluate them according to the above-mentioned items in order to offer to the authority department to decide, and to execute by the management department according to the second paragraph of this Article.
2. The execution departments related to the investment of securities is the accounting department. Otherwise, the execution department related to others, like the real estate and other fixed assets are the departments of general services and utilization. The investments, not related to the securities, the real estate or other assets of fixed assets, shall be evaluated before doing it.
3. About the acquisition and disposal assets, they shall processed In accordance with the relative regulations of the Company's internal control system. If there is any important matters which violated the rules, the Company shall punish the relative personnel according to the violation situation.

#### Article 6: Approval Authority

For the acquisition or disposal assets of the Company except to have the acquisition or disposal assets from a related party ( handling according to the rules of the Article 11 ), if the total amount is under NTD\$50,000,000, the General Manager is authorized to determine it; if the total amount is over NTD\$50,000,000 and under NT\$300,000,000, the chairman is authorized to determine it; if the total amount is over NT\$300,000,000, it shall be proposed to the Board of Directors to

review and pass it, and then it just can be processed. However, in order to meet the requirements of business and to earn the time, it can be determined by the chairman in advance, and will be proposed in the next Board of Directors' meeting to approve after. Only if the important acquisition or disposal of intangible assets, it shall be approved by the Audit Committee, and be proposed to the Board of Directors to determine.

#### Article 7: Quota of Investment

1. The Company cannot only have the acquisition of non-operational purpose assets, but also can invest and purchase the non-operational purpose real property and securities, however, the total amount of investment shall not exceed 100% of the net value of the subsidiary of the Company. Nevertheless, the quota of individual investments is listed as follows:
  - (1) For the investment total amount of the non-operational purpose real property, it shall not exceed 100% of the net value of the subsidiary of the Company.
  - (2) For the investment total amount of the securities, it shall not exceed 100% of the net value of the subsidiary of the Company.
    - a. For the investment total amount of the securities, it shall not exceed 100% of the net value of the subsidiary of the Company.
    - b. For the quota of investing the individual security, it shall not exceed 100% of the net value of the subsidiary of the Company.

#### Article 8: The standard for the investment information which shall be disclosed to the public and reported:

There are the following information for the acquisition or disposal assets of the Company which shall be disclosed to the public and complete reporting to the assigned website of the Financial Supervisory Commission ( hereafter refer to as FSC ) within two days from today when the factor occurred, according to the type of investment and the standard form regulated by the authorities:

1. Acquisition and disposal of real property from or to a related party, or acquisition and disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. However, this shall not apply to the trading of government bonds or bonds under repurchase and resale agreements and the purchase or redemption of domestic money market funds.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivative trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
4. Where the type of asset acquired and disposed is mechanical equipment for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.

5. Where the type of the real property acquired and disposed which is used for the operation and the construction by the public Company whose business is to operate the construction business, the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.
6. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million.
7. Where there is an asset transaction, other than any such transactions referred to in the preceding six subparagraphs, a disposal of receivables to a financial institution, or an investment in mainland China area that reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: the preceding transaction amount is calculated in accordance with the following methods:
  - (1) Trading of government bonds.
  - (2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
  - (3) Trading of bonds under repurchase/resale agreements, or repurchase of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not

domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

Article 9: Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

Article 10: 1. Where the Company acquires or disposes of the real property or equipment, and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, or the acquisition and disposal of the operational-purposed equipment, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price and shall be in accordance with the following regulations:

- (1) If a limited price, specific price, or special price is used as a reference for the transaction price, the same transaction shall require approval from the board of directors in advance. The same shall apply to future change of terms and conditions for transaction.
- (2) If the transaction price is over NT\$1 billion, the Company should retain at least two professional appraisers to perform the appraisal
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction

amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

- a. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - b. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date, provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
2. Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
  3. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 11: Acquisition or disposal of assets from or to a related party:

- I. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions following relevant regulations and these Procedures are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provision of the preceding Section.  
The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 8, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional

appraiser or a CPA's opinion has been obtained following these Procedures need not be counted toward the transaction amount.

When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. When this company intends to acquire or dispose of real property or assets other than real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD 300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and board of directors:

- 1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- 2) The reason for choosing the related party as a transaction counterparty.
- 3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with these Procedures.
- 4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- 5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- 6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- 7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 31, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the audit committee and the board of directors need not be counted toward the transaction amount.

Where the Company or its parent or subsidiary acquire or disposes the equipment for business use, the Company's board of directors may pursuant to Article 6 herein to delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and

ratified by the next board of directors meeting

When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to this Article, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Any transaction shall be approved by one-half or more of all audit committee members following this Article and submitted to the board of directors for a resolution.

If approval of one-half or more of all audit committee members as required in the preceding subparagraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

- III. Where the Company acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:
  - 1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - 2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- IV. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- V. Where the Company acquires real property from a related party and appraises the cost of the real property in accordance with the subparagraphs 1) and 2) in paragraph 3 of this Article shall also engage a CPA to check the appraisal and render a specific opinion.
- VI. Where the company acquires real property from a related party and one of the following circumstances exists, the assessment of transaction cost reasonableness shall be conducted in accordance with paragraph 2 of this article, and the

preceding three paragraphs do not apply:

- 1) The related party acquired the real property through inheritance or as a gift.
- 2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
- 3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

VII. When the results of the company's appraisal conducted in accordance with paragraph 3 and paragraph 4 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 8. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- 1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale practices.
  3. Completed leasing by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market leasing practices.
- 2) Where the company acquires real property from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

The aforementioned completed transactions involving neighboring or closely valued parcels of land in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

- VIII. Where the company acquires real property from a related party and the results of appraisals conducted in accordance with the preceding paragraphs 3 to 7 are uniformly lower than the transaction price, the following steps shall be taken:
- 1) A special reserve shall be set aside against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for shall be set aside pro rata in a proportion consistent with the share of the company's equity stake in the other company.
  - 2) Independent directors of the audit committee shall comply with the Company Act

Where the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.

#### Article 12 Engaging in Derivatives Trading

- I. Derivatives refer to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from asset, interest rate, foreign exchange rate, index of prices or other variable; or hybrid contracts combining the above contracts; or hybrid contract. The term "forward contracts" in this paragraph does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Where the Company deals with bond leverage trading shall be handled in accordance with these Procedures.
- III. The management strategies are strengthening asset and liability management of the company and enhancing efficiency of funds usage and hedging.

- IV. The trading execution unit is the operation team formed by the general manager as empowered by the board of directors, and management of confirmation, settlement and accounts are uniformly handled by accounting department. For risk management in trading (including credit, market price, liquidity, operational, and legal risks, etc.), the audit unit empowered to take charge of risk measurement, monitoring and control, and the manager of administration department is responsible for supervision as empowered by the board of directors. Derivatives trading positions held by the Company shall be evaluated by audit unit at least once per week, however, hedge trades required by business shall be evaluated at least twice per month and evaluation reports shall be submitted to the manager of administration department. The manager of administration department, in addition to periodically ensuring that the risk management procedures are appropriate and has faithfully followed these Procedures, periodically evaluating the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the procedures, when irregular circumstances are found in the MTM reports (e.g. positions held exceeds loss limit), a report shall immediately be made to the board of directors and appropriate measures shall be adopted. The company shall report to the soonest meeting of the board of directors after the general manager authorizes the relevant personnel to handle derivatives trading.
- V. The book value of cost (e.g. exchange rate) and the gain/loss incurred from trades of derivatives are taken as basis of performance assessment.

In order to fully control and express assessment risk on trades, a monthly assessment has been adopted to assess gain and loss.

Accounting department shall offer rating and market trend analysis of traded goods every month for general manager as reference of decision making.

VI. Total amount of contract:

- 1) Non-trading (hedging held asset or liability risk):  
Not exceeding assets held or total amount of liability in principle. The excessive portion shall be attributed to trading.
- 2) Trading:  
The total amount of derivatives contracts is in principle no more than 40 percent of the Company's paid-in capital.

VII. The maximum loss limit on total trading is USD 1 million, and for individual contracts is USD 500 thousand.

VIII. The trading operation procedures are as follows:

- 1) Degree of authority: Supervisor of trading unit shall also offer degree application form in writing form based on the trading personnel's status and experience, and shall grant trading personnel trading degree and stop loss

degree, however, the stop loss degree shall not exceed the aforementioned limits.

- 2) Trading implementation: trading personnel shall obtain trade certificates from the trading counterparties after each transaction, and the certificates shall be submitted to supervisors of each unit for signing and approval before submitting to accounting department and audit unit.
  - 3) Trading confirmation: The accounting department shall perform confirmation and checking with counterparty of the trade based on approved and signed trade certificates, conduct registration by the figures on confirmation note and details, and create tabulation before submitting to trading unit. The audit unit performs accounting handling and risk control.
  - 4) Where the Company engages in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under relevant regulations and these Procedures shall be recorded in detail in the log book.
- IX. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- X. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk and should periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance, also, the senior management personnel shall periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures.

When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.

- XI. Internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, audit committee shall be notified in writing, and related personnel shall be penalized based on status of violation.

- I. Where the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
- II. Where the Company participates in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to the preceding paragraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

The Company shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:

- 1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- 2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
- 3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

In addition, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the subparagraphs 3 and 4.

- IV. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- V. Where the company participates in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
  - 1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
  - 2) An action, such as a disposal of major assets, that affects the company's financial operations.
  - 3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - 4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - 5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - 6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the following:

- 1) Handling of breach of contract.

- 2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- 3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- 4) The manner of handling changes in the number of participating entities or companies.
- 5) Preliminary progress schedule for plan execution, and anticipated completion date.
- 6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- 7) After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- 8) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of paragraph 3 date of the board of directors meeting, paragraph 4 advanced confidentiality and paragraph 7 changes in number of companies participating merger, demerger, acquisition or transfer of shares.

Article 14 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provides the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party to the counterparty.

Article 15 Rules for Subsidiary's asset acquisition or disposal

- I. The subsidiary's acquisition or disposal of assets shall also be handled following rules of parent company.
- II. Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether it reaches the threshold requiring public announcement and regulatory filing of 20 percent of the paid-in capital or 10 percent of the total assets under Article 8, paragraph 1, subparagraph 5.
- III. The Company shall see to it that its subsidiaries adopt and implement the procedures for the

acquisition or disposal of assets in compliance with these Procedures.

Article 16 Any unspecified matters in these Procedures shall be dealt in accordance with relevant laws and regulations and relevant provisions of the company.

Article 17 After the procedures have been approved by audit committee and the board of directors, they shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended.

Article 18 For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 19 In the case of the company whose shares have no par value or a par value other than NT\$10—for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

[Appendices 4]

TAIWAN SECOM COMPANY LTD.

Stockholding of Directors

Title	Inauguration Date	Term	Name	Share holding of stock transfer closing date
Chairman	2017.06.22	3 years	Cheng Hsin Investment Co., Ltd. Representative : LIN Hsiao-Hsin	19,997,337
Vice Chairman	2017.06.22	3 years	Hsin Lan Investment Co., Ltd Representative : LIN Chien-Han	3,940,585
Executive Director Director Director	2017.06.22	3 years	SECOM Co., LTD. Representative : Sadahiro Sato Representative : Kenji Murakami Representative : Hirofumi Onodera	123,110,870
Director	2017.06.22	3 years	TIEN Hung-Mao	147,025
Director	2017.06.22	3 years	WEI Chi-Lin	150,000
Director	2017.06.22	3 years	TU Heng-Yi	50,750
Director	2017.06.22	3 years	Yuan Hsin Investment Co., Ltd Representative : LIN Ming-Sheng	7,962,190
Director	2017.06.22	3 years	Chin Kuei Investment Co., Ltd Representative : LIN Chun-Mei	1,100,195
Director	2017.06.22	3 years	Shang Ching Investment Co., Ltd Representative : YU Ming-Hsien	3,312,112
Executive / Independent Director	2017.06.22	3 years	CHEN Tien-Wen	-
Independent Director	2017.06.22	3 years	CHANG Chin-Fu	-
Independent Director	2017.06.22	3 years	CHANG Jui-Meng	2,885
<b>Total Sharehlding of All Directors</b>				<b>159,773,949</b>